

Make-or-Buy Plan

National Renewable Energy Laboratory

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I. Introduction

NREL is providing this Make-or-Buy Plan as an initial effort in identifying the most efficient and cost effective manner for performing work at NREL. The plan will be prepared as a one-time action and will be effective for the term of the contract. Updates to the plan will be submitted to the Contracting Officer, as appropriate. NREL Management will review the plan annually to ensure that it reflects current conditions and will propose changes, as appropriate. This make-or-buy plan determines the process NREL will use and establishes a preference for providing supplies and services on a least-cost basis, subject to the make or buy criteria identified below.

In developing and implementing this make-or-buy plan NREL will assess outsourcing opportunities and implement outsourcing decisions in accordance with the following:

- + Contractor shall establish internal productivity improvement and cost-reduction programs so that in-house performance options can be made more efficient and cost-effective. In-house performance will be evaluated and included as part of the Laboratory's "Improvement Program."
- + Contractor shall consider outsourcing opportunities with the maximum practicable regard for open communications with potentially affected employees.
- + Contractor shall communicate its plans, activities, cost-benefit analyses, and decisions to those stakeholders, including representatives of the community and local businesses, likely to be affected by such actions.

This Make-or-Buy Plan sets forth NREL's approach in the "make-or-buy" decision process, establishes its basis, is consistent with existing NREL policy, and describes steps to be taken over the near term for implementation.

II. Definitions

Buy Item: An item or work effort to be produced or performed by an outside source, including a subcontractor, affiliate or other federal contractors.

Make Item: An item or work effort to be produced or performed by NREL using its personnel and other resources at the DOE facility or site.

Make-or-Buy Program: NREL's written plan for identifying (a) those major items to be produced or work efforts to be performed in NREL's facilities, and (b) those to be outsourced.

Core Competency: NREL Core Technical or Managerial Competencies are services or operations that must be performed by NREL and are considered essential to serving the customer and maintaining cost-effective programmatic and management control.

Work Item: A functional area which has not been identified as an NREL Core Technical Competency nor Core Managerial Competency and the cost of which is a budget element of \$1M or more in the aggregate per annum.

III. Make-or-Buy Process at NREL

Laboratory management has used the make-or-buy process as part of its operation of NREL for many years. In many areas, services acquired through subcontractors supplement NREL staff while in other areas, all required services are procured through the subcontracting process. A listing of many of the contracted services at NREL during FY 1998 is included below. Contracted services in FY 1998 represents approximately 50% of the Laboratory's total budget for that year.

Subcontracted Services at NREL, FY 1998

Analytical Services/Laboratory Analysis
Architect/Engineer & Consulting Engineering Services
Chemical Hazardous & Radioactive Waste Bins
Cleaning and Laundry Services
Computer Hardware Maintenance and Support
Computer Supplies and Equipment
Copier Leasing
Copier and Printer Maintenance
Drafting Services
Employee Assistance Program
Environmental Restoration
Equipment Maintenance
Fabrication Support
Fire Protection
Health Services
Janitorial Service and Supplies
Laboratory Equipment Maintenance
Laboratory Services (i.e. employment advertising, information systems, printing)
Legal Services (limited)
Moving Services
Office Supplies
On-site Construction
Refuse Collection and Disposal
Research and Development Subcontracting

Reupholstering of Furniture
Software Support
Special Materials and Supplies
Telecommunications
Temporary Personnel
Training (i.e., computer software and hardware, quality assurance, personnel development)
Travel Services

In addition, management at various levels will continually review the methods used for work accomplishment and adjust the mix (in-house/out-of-house) as appropriate to meet changing mission requirements while carefully balancing cost and quality.

IV. Make-or-Buy in the Quality Context

Key Principles

The following key principles will guide the make-or-buy process at NREL. These principles are consistent with DOE's objectives for quality management, cost-effective operations, and mission needs while maintaining NREL's commitments to its employees and the local community.

- + **Routine Services** - NREL is committed to obtaining routine services from the least-cost source consistent with applicable labor laws.
- + **Excellence in Institutional Management and Facilities Operations** - NREL is committed to achieving excellence in the management of the Laboratory and in the planning, design, construction and operation of its programmatic and infrastructure facilities. All NREL make-or-buy decisions will balance cost and quality to ensure excellence in the final product.
- + **Core Managerial Competency** - NREL depends on the quality, technical background and "institutional memory" of its management to maintain the financial, environmental safety and health, and operational integrity of the Laboratory. This resource, represented by the Laboratory's staff, is viewed as a significant core competency, critical to the Laboratory's continued success and pursuit of excellence. As a result, NREL will not evaluate a broad replacement of its in-house operations by outside contractors. Make-or-buy reviews will focus on discrete operations typically below the Center/Office level.
- + **NREL Subcontracts** - The NREL approach to make-or-buy will be structured such that all service contractors will be under contract to NREL. To deliver the quality performance expected by DOE, NREL must retain management control over all functional areas.

- + **Employee Information and Support** - One typical "hidden" cost of a make-or-buy review is the effect on morale, productivity, and turnover of the staff whose jobs may be considered for outsourcing. NREL will take aggressive action to ensure all affected staff are kept informed as the make-or-buy process progresses. NREL will provide limited assistance to employees who may be displaced due to a decision to outsource services. To the extent practicable NREL will provide outplacement and other assistance to employees who may be displaced as a result of a decision to outsource.
- + **Small/Small Disadvantaged Business** - As part of the make-or-buy process, NREL will analyze the availability of services provided by regional small/small-disadvantaged businesses. The decision on subcontract scope will consider this availability.
- + **Diversity** - The Laboratory will consider the potential impacts on the diversity of the in-house workforce which may result from outsourcing.

Make-or-Buy General Evaluation Criteria:

The contractor understands that the aim of the make-or-buy program is to ensure that the Laboratory obtains all of its materials and services primarily at the lowest possible cost consistent with mission requirements. In order to achieve this while maintaining an efficient and effective operation of the Laboratory, the general DOE criteria annotated in the attachments will be used to evaluate specific work items in order to determine if they are appropriate potential candidates for outsourcing.

After each work item has been evaluated against the criteria, those that appear to be potential outsourcing candidates will have a cost/benefit analysis performed on them to assess the cost benefits of both "make" and "buy" options. This analysis will consider operational improvements, the costs for new equipment, facilities, personnel and maintaining continuity of operations when changing to a "make" or "buy" decision, as appropriate.

V. Make-or-Buy Committee

An NREL Make-or-Buy Committee (herein after known as the "Committee") will be established with membership representing a cross-section of the Laboratory. The committee will publish a charter regarding its purpose, responsibilities and operating procedures. The Committee will follow the steps outlined below.

1. The Committee will work with the senior leadership of the Laboratory to identify and validate Core Technical and Core Managerial Competencies at the onset of the process. Work items previously identified in Approved Programmatic Annual Operating Plans as "buy" items will not be subject to this process.
2. All work items that are not identified as Core Technical or Managerial Competencies and have a budget exceeding \$1M annually will then be reviewed for potential as outsourcing candidates. This analysis will be conducted by the "work item" owner.
3. Once compiled, the list of outsourcing candidates along with the associated cost/benefit analysis results will be provided to the Committee which will perform an evaluation and cost/benefit analysis using the DOE-provided criteria contained in Section VII.
4. Upon completion of the above steps the final list of outsourcing candidates will be used to make recommendations on outsourcing to NREL Executive Management.

For work items that are not identified as candidates for outsourcing, NREL will implement productivity and cost reduction programs as part of the Laboratory's overall and on-going improvement program. The lead for this effort will be the Director, Quality and Assessment Office.

For certain select functions where the make-or-buy review identifies the potential for improving the quality and lowering the cost of in-house operations through the use of quality management principles, the Laboratory may elect to implement these improvements rather than subject the function to the make-or-buy process.

VI. Outsourcing Process

1. Prepare a comprehensive Statement of Work (SOW) including acceptable quality standards. Responsibility: Center/Office Director

2. Identify Colorado and Denver Metro small/small disadvantaged businesses offering the services required. Responsibility: Center/Office Director in consult with the Contracts and Business Services Small Business Liaison Officer
3. Identify other possible sources for the required services. Lead: Center/Office Director
4. Advertise a Request for Proposal (RFP). Lead: Contracts and Business Services
5. Evaluate subcontractor submittals. Lead: Center/Office Director and Contracts and Business Services
6. Award, if cost, quality and other criteria are met. Lead: Contracts and Business Services
7. Implement a vendor oversight plan. Lead: Applicable Center/Office Director

VII. Plan Implementation Schedule

1. Obtain Golden Office Contracting Officer consent of the NREL Plan; Date: 07/30/99; Responsibility: Director, Contracts and Business Services
2. Select Make-or-Buy Committee; Date: 09/30/99; Responsibility: Laboratory Director and Associate Director for Laboratory Operations
3. Establish a calendar for the conduct of Committee Meetings; Date: 11/30/99; Responsibility: Director, Contracts and Business Services
4. Implement the NREL Make-or-Buy process: Date: 03/31/00; Responsibility: Director, Contracts and Business Services

VIII. Attachments

The following attachments will be used by the Committee to "walk through" the thought process to arrive at a conclusion regarding a "make" decision or a "buy" decision for each candidate work item. If the conclusion is to outsource, the work item will become part of the recommended outsourcing listing which will be submitted to the NREL Director for review and approval.

1. Section I, Make-Or-Buy Analysis Summary
2. Section II, Make-Or-Buy Questionnaire

3. Section III, Commercial or Other Source Availability
4. Section IV, Core Competencies
5. Section V, Environmental and Safety Issues
6. Section VI, Technology Transfer and Research Advancement
7. Section VII, Cost Issues
8. Section VIII, Analysis of Costs
9. Flow Chart: Make-or-Buy Program
10. Work Item Budget Items \$1M or Higher